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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001781

SIPDIS

DEPARTMENT FOR EUR/SE

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TAGS: [PREL](#) [PGOV](#) [TU](#)

SUBJECT: TURKEY: SUPPORT FOR "TRNC" CARRIES HIGH PRICE TAG

REF: A. ANKARA 1718

[1](#)B. NICOSIA 363

Classified By: POL Counselor Daniel O'Grady, for reasons 1.4(b,d)

[1](#)1. (C) SUMMARY. Turkey's financial aid to the "TRNC" is roughly \$600 million annually -- one third of the "TRNC" budget. Ankara routinely grouches about what it perceives as the Turkish Cypriots' lack of fiscal responsibility, but would never consider turning off this funding tap and does not view the potential savings of a Cyprus solution as a relevant factor in the current negotiations. END SUMMARY.

[1](#)2. (C) "TRNC Ambassador" Namik Korhan recently passed us a copy of the 2010 "TRNC" annual budget, contained in fiscal legislation currently being reviewed by the Turkish Grand National Assembly. The budget gives a breakdown of revenues and expenditures for the "TRNC" as follows:

(Note: These figures are in Turkish Lira. The current exchange rate is 1.5 Turkish Lira per \$1. End Note)

Expenses: 2,645,273,043 (up 3 percent from 2009)

Personnel -- 999,810,806 (down 1.4percent from 2009)

Social Security -- 45,361,506

Property and Services -- 171,678,012

Current Expenditures -- 1,152,842,719

Capital Expenditures -- 109,640,000

Capital Transfers -- 42,850,000

Loan Payments -- 5,540,000

Reserve Appropriations -- 117,550,000

Revenues: 2,504,144,000

Local Income -- 1,302,961,500 (down 9.6 percent from 2009)

Price Stability Fund -- 264,362,900

Other Funds -- 37,095,600

Return on Capital Expenditures -- 4,724,000

Assistance from the Turkish Republic -- 305,000,000 (up 4 percent from 2009)

Credits from the Turkish Republic -- 590,000,000 (up 532 percent from 2009)

Internal Sources: 141,129,043

[1](#)3. (C) Our colleagues at Embassy Nicosia are in a better

position to decipher these categories, but from Ankara the key columns are the credits and the assistance from Turkey: altogether 895 million Turkish Lira (roughly \$600 million). This is a whopping 535 percent increase in Turkish assistance compared to 2009, at least as far as the official "TRNC" budget is concerned. In fact, Turkey kept dribbling additional budgetary support to north Cyprus throughout 2009.

Korhan told us earlier that in April 2009 the new National Unity Party (UBP) had come into office only to discover that the "TRNC" coffers had been depleted by the previous Republican Turkish Party (CTP) government during its pre-election spending spree. UBP had to appeal to Ankara for an immediate 600 million TL transfer, which the Turkish Government reluctantly agreed to provide. Korhan seemed nonchalant that a full third of the "TRNC" budget now relies directly on assistance from Turkey.

14. (C) The MFA is decidedly less nonchalant but still relatively resigned to this significant transfer of funds from Ankara to Lefkosa. MFA Deputy Director for Cyprus Kerim Uras told us Ankara regularly scolds the Turkish Cypriots about their prolific spending. He noted as an example that salaries for professors and instructors in northern Cyprus are well above the norms in Turkey. Uras said Deputy Prime Minister Cicek (whose portfolio includes Cyprus) in particular has lashed out at the "TRNC's" lavish tendencies -- asking why "TRNC" officials all have Mercedes, for example -- but to no avail. The Turkish Cypriots know full well that Ankara will continue to subsidize them, Uras said. The north Cyprus government has passed legislation that drastically reduces the wages of newly hired civil servants. This was

ANKARA 00001781 002 OF 002

done as a sop to Turkish demands to show fiscal rectitude. The actual effect on the budget, however, will be close to zero, at least for several years.

15. (C) COMMENT: Ankara may complain about the financial costs of propping up the "TRNC" but it would never consider turning off the tap. Cyprus is viewed as a fundamental national cause, and therefore untouchable -- something the Turkish Cypriots seem quick to exploit. Reducing this financial drain in the event of a solution would certainly be a sweetener for Ankara, but by itself is not something that could serve as motivating factor during the talks.
Silliman

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